



HUUUGE

Play Together.

HUUUGE INC.

SEPARATE FINANCIAL STATEMENTS

as of and for the year ended December 31, 2021

prepared in accordance with International Financial Reporting Standards
as adopted by the European Union

Table of contents

Company's separate statement of comprehensive income	5
Company's separate statement of financial position	6
Company's separate statement of changes in equity	7
Company's separate statement of cash flows	9
1. General information	11
2. Basis for preparation of the financial statements	13
(a) Statement of compliance	13
(b) Historical cost convention	13
(c) Functional and presentation currency	13
(d) Key judgements and estimates	13
3. Adoption of new and revised Standards	16
4. Significant accounting policies	17
(a) Foreign currency transactions – transactions and balances	17
(b) Revenue	18
(c) Income tax	18
(d) Shares in subsidiaries, associates and joint ventures	19
(e) Financial instruments	19
(f) Leases	20
(g) Impairment	21
(i) Financial assets	21
(ii) Non-financial assets	21
(h) Cash and cash equivalents	22
(i) Trade and other receivables	22
(j) Trade and other payables	22
(k) Share capital and other components of the equity	22
(l) Series C preference shares	23
(m) Interest-bearing loans and borrowings	24

(n) Share-based payment arrangements	24
(o) Employee benefits	25
(i) Defined contribution plans – retirement benefits	25
(ii) Other employee benefits	25
(p) Provisions	25
(q) Research and development expenses	25
(r) Finance income and expense	25
5. Determination of fair values	25
(a) Preference shares liability measured at fair value through profit or loss	26
(b) Trade and other receivables measured at amortized cost	26
(c) Non-derivative financial liabilities measured at amortized cost	26
6. Revenue	27
7. Segment information	27
8. Operating expenses	28
9. Other operating income and expense	28
10. Finance expense	28
11. Income tax	29
12. Investment in subsidiaries	31
13. Loans granted	32
14. Financial risk management	33
(a) Introduction	33
(b) Credit risk	33
(c) Liquidity risk	36
(d) Market risk	38
(i) Currency risk	38
(ii) Interest rate risk	38
(e) Capital management	38
15. Accounting classifications of financial instruments and fair values	40
16. Trade and other receivables	41

17. Cash and cash equivalents	41
18. Share capital	41
19. Share-based payment arrangements	48
20. Conversion of series C preference shares	53
21. Trade and other payables	54
22. Leases	54
23. Cash Flow reconciliation	55
24. Contingencies	56
25. Pledges and collaterals	56
26. Related party transactions	57
27. Transactions with management of the Company	59
28. Audit fees	59
29. Employment structure	60
30. Subsequent events	60

Company's separate statement of comprehensive income

for the year ended December 31, 2021

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Revenue	6	3,824	2,817
Cost of sales			-
Gross profit		3,824	2,817
Sales and marketing expenses	8	(76)	-
Research and development expenses	8	(1,447)	(906)
General and administrative expenses	8	(5,206)	(5,885)
Other operating income/(expense), net	9	(80)	6,536
Operating result		(2,985)	2,562
Finance income		57	166
Finance expense	10	(42,205)	(128,309)
Profit/(loss) before tax		(45,133)	(125,581)
Income tax	11	(73)	(96)
Net result for the year		(45,206)	(125,677)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		(45,206)	(125,677)

The accompanying notes are an integral part of these financial statements.

Company's separate statement of financial position

as of December 31, 2021

	Note	As of December 31, 2021	As of December 31, 2020
Assets			
Non-current assets			
Property, plant and equipment		87	36
Right-of-use asset	22	137	211
Investment in subsidiaries	1, 12	26,856	13,633
Loans granted	13	-	1,487
Other non-financial assets		6	6
Deferred tax asset	11	48	-
Total non-current assets		27,134	15,373
Current assets			
Trade and other receivables	16	4,149	15,228
Corporate income tax receivable		303	583
Loans granted	13	-	-
Cash and cash equivalents	17	106,330	7,284
Total current assets		110,782	23,095
Total assets		137,916	38,468
Equity			
Share capital	18	2	2
Treasury shares	18	(19,954)	(33,994)
Supplementary capital	18	321,049	14,040
Employee benefit reserve	19	19,813	8,053
Retained earnings/(Accumulated losses)		(186,041)	(140,835)
Total equity		134,869	(152,734)
Non-current liabilities			
Preference shares	20	-	176,606
Long-term lease liabilities	22	66	142
Deferred tax liability	11	-	28
Total non-current liabilities		66	176,776
Current liabilities			
Trade and other payables	21	2,903	7,850
Short-term lease liabilities	22	78	76
Provisions	4p), 9	-	6,500
Total current liabilities		2,981	14,426
Total equity and liabilities		137,916	38,468

The accompanying notes are an integral part of these financial statements.

Company's separate statement of changes in equity

As of December 31, 2021

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings/(accumulated losses)	Equity
As of January 1, 2021		2	(33,994)	14,040	8,053	(140,835)	(152,734)
<i>Net profit (loss)</i>		-	-	-	-	(45,206)	(45,206)
Total comprehensive income for the period		-	-	-	-	(45,206)	(45,206)
Redemption of treasury shares	18	-	33,994	(33,994)	-	-	-
Conversion of preference shares	18, 20	-	-	215,603	-	-	215,603
Shares issued/(repurchased)	18	-	(43,976)	152,929	-	-	108,953
Exercise of stock options	18	-	24,022	(22,672)	-	-	1,350
Employee share schemes - value of employee services	19	-	-	-	11,830	-	11,830
Earn-out consideration - value of employee services	19	-	-	-	(70)	-	(70)
Transaction costs of an issuance of equity instruments		-	-	(4,857)	-	-	(4,857)
As of December 31, 2021		2	(19,954)	321,049	19,813	(186,041)	134,869

HUUUGE INC.

Separate financial statements as of and for the year ended December 31, 2021
(all amounts in tables presented in thousand USD, except where stated otherwise)

This version is a pdf of executed xHTML Separate financial statements as of and for the year ended December 31, 2021. In case of any discrepancies xHTML version shall prevail

As of December 31, 2020

	Note	Share capital	Treasury shares	Supplementary capital	Employee benefit reserve	Retained earnings/(accumulated losses)	Equity
As of January 1, 2020		2	(36,604)	14,477	4,295	(15,158)	(32,988)
<i>Net profit (loss)</i>		-	-	-	-	(125,677)	(125,677)
<i>Other comprehensive income</i>		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	(125,677)	(125,677)
Shares issued/(repurchased)	18	-	1,979	-	-	-	1,979
Acquisition of a subsidiaries (payment in treasury shares reissued)	18	-	631	226	-	-	857
Exercise of stock options	18	-	-	202	-	-	202
Transaction costs in anticipation of an issuance of equity instruments		-	-	(865)	-	-	(865)
Employee share schemes - value of employee services	19	-	-	-	3,469	-	3,469
Earn-out consideration - value of employee services	19	-	-	-	289	-	289
As of December 31, 2020		2	(33,994)	14,040	8,053	(140,835)	(152,734)

The accompanying notes are an integral part of these financial statements.

HUUUGE INC.

Separate financial statements as of and for the year ended December 31, 2021
(all amounts in tables presented in thousand USD, except where stated otherwise)

This version is a pdf of executed xHTML Separate financial statements as of and for the year ended December 31, 2021. In case of any discrepancies xHTML version shall prevail

Company's separate statement of cash flows

for the year ended December 31, 2021

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Cash flows from operating activities			
Profit/(loss) before tax		(45,133)	(125,581)
Adjustments for:			
Depreciation and amortization		95	28
Non-cash employee benefits expense - share-based payments	19	565	180
Remeasurement and other finance expenses related to preference shares liability	20	38,997	128,249
Finance (income)/expense, net	10	2,622	(154)
Changes in net working capital:			
Trade and other receivables	16	11,079	(6,094)
Other non-financial assets		-	3
Trade and other payables	21	(2,249)	4,713
Provisions	4p)	(6,500)	-
Other adjustments		25	-
Cash flows from operating activities		(499)	1,344
Income tax refund received		105	-
Net cash from operating activities		(394)	1,344
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(72)	(25)
Purchase of shares in subsidiaries and capital injection	1, 12	(2,485)	(2,328)
Interest received		128	347
Repayment of loans granted to subsidiaries	13	1,400	2,000
Loans granted to subsidiaries	13	-	(600)
Net cash from investing activities		(1,029)	(606)
Cash flows from financing activities			
Proceeds from issue of common shares for public subscription	18	152,929	-
Execution of stabilization option	18	(43,976)	-
Loss on foreign exchange forward contract	10	(2,662)	-
Transaction costs of an issuance of equity instruments		(7,097)	(275)
Exercise of stock options	18	1,350	202
Proceeds from issue of common shares and shares series A and B	18	-	8,234
Proceeds from issue of shares series C	18	-	1,447
Repurchase of own shares series A and B	18	-	(6,255)
Repurchase of own shares series C	18	-	(1,444)
Lease repayment and interest paid	22	(75)	(13)
Net cash from financing activities		100,469	1,896
Net increase/(decrease) in cash and cash equivalents		99,046	2,634
Cash and cash equivalents at the beginning of the period	17	7,284	4,650
Cash and cash equivalents at the end of the period		106,330	7,284

The accompanying notes are an integral part of these financial statements.



Notes to the separate financial statements

HUUUGE INC.

Separate financial statements as of and for the year ended December 31, 2021
(all amounts in tables presented in thousand USD, except where stated otherwise)

This version is a pdf of executed xHTML Separate financial statements as of and for the year ended December 31, 2021. In case of any discrepancies xHTML version shall prevail

1. General information

Huuuge Inc. (hereinafter the “Company”) is a company registered in the United States of America. The Company’s registered office is located in Dover, Delaware, 850 Burton Road, Suite 201, DE 19904 and the operating office is located in Las Vegas, Nevada, 2300 W. Sahara Ave., Suite 800, NV 89102.

The Company was established with a notary deed on February 11, 2015.

These separate financial statements (hereinafter “financial statements”) of the Company cover year ended December 31, 2021 and includes comparative data for the year ended December 31, 2020.

The Company has an unlimited period of operation.

The core business activities of Huuuge Inc. is holding activity for the Huuuge Inc. Group (the “Group”), for which the Company is the ultimate parent. The core business activities of the Group include:

- development of mobile games in the free-to-play model,
- distribution and user acquisition of own mobile games.

Identification of consolidated financial statements

The Company is the ultimate parent of the Huuuge Inc Group. The Company has prepared a consolidated financial statements for the year ended December 31, 2021, which were approved on March 25, 2022 by the Board of Directors.

Composition of the Company’s Board of Directors as of December 31, 2021 and December 31, 2020 and as of the date of signing of this financial statements

The Company’s Board of Directors consists of Chief Executive Officer, who is also director, and non-executive directors.

Directors have annual terms of duty and serve until the successors are duly elected. The preference shareholders have the right to appoint certain directors.

As of December 31, 2021 and as of the date of signing of these financial statements Chief Executive Officer and director is Mr Anton Gauffin.

As of December 31, 2020 non-executive directors were:

- Henric Suuronen, director,
- Sang-Ho Park, director,
- John Salter, director,
- Rod Cousens, director.

On February 3, 2021 the following directors were elected, and after this change, as of December 31, 2021 as of the date of signing of these financial statements non-executive directors were:

- Henric Suuronen, director,
- Krzysztof Kaczmarczyk, director,
- John Salter, director,
- Rod Cousens, director.

Financial statements approval

These financial statements were approved on March 25, 2022 by the Board of Directors.

Investments in subsidiaries

The Company has direct and indirect an interest in share capital of the following subsidiaries:

Name of entity	Registered seat	Activities	Share in capital	
			As of December 31, 2021	As of December 31, 2020
Huuuge Games Sp. z o.o.	Szczecin, Poland	games development and operations	100%	100%
Huuuge Global Ltd	Larnaca, Cyprus	games distribution, user acquisition	100%	100%
Huuuge Publishing Ltd (formerly Fun Monkey Ltd)	Larnaca, Cyprus	games distribution	100%	100%
Coffee Break Games Ltd	Larnaca, Cyprus	games distribution	100%	100%
Huuuge Digital Ltd	Tel Aviv, Israel	games development, R&D	100%	100%
Playable Platform B.V.	Amsterdam, Netherlands	games advertisement	100%	100%
Double Star Oy	Vantaa, Finland	games development	100%	100%
Huuuge UK Ltd.*	London, United Kingdom	corporate development	100%	-
Huuuge Mobile Games Ltd	Dublin, Ireland	games distribution, user acquisition, in organization	100%	100%
Emanon Ltd (formerly Billionaire Games Ltd)	Dublin, Ireland	games distribution, user acquisition	- **	100%
Coffee Break Games United Ltd	Dublin, Ireland	games distribution, user acquisition, in organization	100%	100%
Cireneg Ltd (formerly Fun Monkey Games Ltd)	Dublin, Ireland	games distribution, user acquisition	- **	100%
MDOK GmbH (formerly Huuuge Pop GmbH.)	Berlin, Germany	games development	100%	100%
Huuuge Labs GmbH	Berlin, Germany	games development, R&D	100%	100%
Huuuge Tap Tap Games Ltd	Hong Kong	games development, user acquisition	100%	100%

*On July 1, 2021 new entity Huuuge UK Ltd. (incorporated in the United Kingdom) was established. 100% of shares of this entity were taken up by Huuuge Inc. The entity was established with a share capital amounting to GBP 250 thousand. The new entity was established in the United Kingdom for the purposes of extension of international presence of the Group.

On November 18, 2021, the Billionaire Games Ltd changed its name to Emanon Ltd, and Fun Monkey Games Ltd changed its name to Cireneg Ltd.

**On December 20, 2021 100% of the shares in Emanon Ltd, and 100% of the shares in Cireneg Ltd were sold for total consideration EUR 2. The shares were directly held by Huuuge Global Ltd.

As of December 31, 2021 and December 31, 2020 share in voting rights owned by the Company in its subsidiaries, is equal to Company's share in equity of those entities.

2. Basis for preparation of the financial statements

(a) Statement of compliance

These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and constitute the Company's separate financial statement prepared in order to meet the legal requirements imposed on issuers of the securities admitted to trading on regulated markets.

The Company is the parent entity of the HUUUGE Inc. Group. The annual consolidated financial statements of the Group have been prepared in accordance with the requirements of IFRS. In order to fully understand the financial situation and the results of operations of the Company as the parent company in the Group, these financial statements should be read together with the annual consolidated financial statements for the period ended on 31 December 2021. The consolidated financial statements of the Group are prepared and published at the same time as these separate financial statements of the Company.

(b) Historical cost convention

These financial statements are prepared on the historical cost basis, except for derivatives including the preferred shares C series, which were measured at fair value with the gains/losses recognized in profit or loss in the year ended December 31, 2021.

(c) Functional and presentation currency

The functional currency of the Company and the presentation currency of these financial statements is the US dollar ("USD").

(d) Key judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these financial statements, the significant judgements and estimates made by management in applying the Company's accounting policies have been consistently applied by the Company and are consistent across the reported periods.

Model of revenue recognition

Agent vs principal considerations – transactions between the Company and HUUUGE Global Limited

The Company purchases certain advertisement services from third parties (mostly Platform providers such as Facebook), which are subsequently recharged to HUUUGE Global Ltd. The Company's management has determined that in its relation to the platforms the Company acts as an agent on behalf of HUUUGE Global Ltd.

In accordance with IFRS 15.B34, when another entity is involved in providing goods or services to a customer, the entity evaluates the nature of its promise to the customer, whether the nature of the entity's performance obligation is to provide the specified goods or services to the customer itself (in this case the entity is a principal) or to arrange for them to be provided by another entity (in this case the entity is an agent). In accordance with IFRS 15.B35, the entity acts as the principal, if it obtains control of the specified good or service before it is transferred to the customer, otherwise the entity acts as an agent arranging for the provision of the specified goods or service for another entity's customer. An agent

recognizes revenue on a net basis corresponding to any fee or commission to which it expects to be entitled in return for the arrangement of provision of goods or services by another entity.

The Company's management assessed that, taking into account the IFRS 15 guidance, the nature of the Company's performance obligation is to ensure the provision of advertisement services by Platform providers such as Facebook for HUUUGE Global Ltd, and that the Company itself does not obtain control over the goods or services provided prior to its transfer to the customer. The Company's management therefore assessed that the Company acts as an agent to HUUUGE Global Limited. The conclusion that the Company acts as an agent is supported mainly by the following factors: Platform providers (such as Facebook) have the ultimate responsibility for providing the services to HUUUGE Global Ltd; the Company does not set the prices for the advertisement services nor it has a discretion to select the Platforms, Platform providers have right to change these prices at any time at their discretion.

The Company being an agent presents revenues from those transactions in net amounts – revenue from HUUUGE Global Ltd for the provision of these services was fully netted with related costs in the statement of comprehensive income for the years ended December 31, 2021 and December 31, 2020.

For details on the accounting policies related to the revenue recognition please refer to Note 4 *Significant accounting policies*, point (b) *Revenue*.

Money market mutual funds

As part of its liquidity management, the Company makes overnight deposits of its daily cash surpluses in money market mutual funds. The money market fund is an open-ended mutual fund that invests in short-term debt instruments (typically one day to one year) such as treasury bills, certificates of deposit, bonds, government gilts and commercial paper with high ratings (mainly A3 based on Moody's rating). The main goals are the preservation of principal, high liquidity and a modest incremental return over short-term interest rates or a benchmark rate.

Key judgement in applying accounting policies refers to the classification of investments in money market mutual funds as "Cash and cash equivalents" and not as "Other financial assets". The units of the funds held by the Company are short-term, highly liquid, readily convertible to known amounts of cash and are subject to an insignificant risk of future changes in value, thus they meet the critical criteria indicated in IAS 7 *Statement of Cash Flows* and have been considered in substance as cash equivalents.

Investments in money market funds have a determinable market value and they are puttable, with a short notice period. The Company can dispose the investments in funds at its discretion any time (same-day access), funds are not closed for a selected group of participants. They are convertible into a cash and the cash amount to be received on redemption is known at the time of the investment because at the time of the initial investment, the risk of changes in value is insignificant. The volatility of changes in fair value, in particular the credit and liquidity risk, is limited taking into account the level of diversification of the portfolio and its weighted average life of the underlying assets of the funds. The exposure to benchmark interest rate risk is also assessed to be low because of short period of time until the next repricing of the assets held by the fund to current benchmark interest rates. These facts support the view that the investment is liquid.

In addition, the Company considered the assets held by the fund to establish whether substantially all of its investments qualify individually as cash and cash equivalents. The consideration referred to all potential investments allowed by the investment rules set for the fund, and not only the assets that the fund holds as of the evaluation date. It was assessed that in general the investments' maturity is less than three months and thus, investments qualify individually as cash and cash equivalents.

Due to the above, in the management's opinion, the Company's investments in money market funds have the attributes to be considered a cash equivalent. This analysis is performed at each reporting period. For details on the funds and their credit ratings please refer to Note 14 *Financial risk management*, point (b) *Credit risk*. For carrying amounts as at December 31, 2021 and December 31, 2020 please refer to Note 17 *Cash and cash equivalents*.

Preference shares

Classification and measurement

In September 2017, the Company issued series C preference shares to several investors. The series C preference shares were converted into ordinary shares on February 5, 2021. Details of the transaction is presented in Note 20 *Conversion of series C preference shares*.

The management has concluded that the series C preference shares meet the definition of a financial liability as of year-end December 31, 2020 because they are effectively convertible into a variable number of ordinary shares upon occurrence of an uncertain future events, such as share split, combination or issuance of shares which are genuine and outside of the Company's control (IAS 32 paragraph 16(b) and 25).

Accordingly, the series C preference shares are classified as a financial liability and measured initially and subsequently at fair value through profit or loss.

This liability was presented as a non-current liability as of year-end December 31, 2020 based on IAS 1 para 69(d) which states that the terms of a liability that could, at the option of the counterparty, result in settlement by the issue of equity instruments do not affect its classification. The settlement in (variable number of) ordinary shares was not result in an outflow from the entity's working capital and hence the classification as a non-current liability under IAS 1.69(d).

The further information on the fair value measurement of this liability is provided in Note 5 *Determination of fair values*, point (a) *Preference shares liability measured at fair value through profit or loss*. The fair value gains/losses are presented within "Finance expense".

Estimation uncertainty

The assumptions made about the future and the major sources of estimation uncertainty refer to the following areas:

Deferred tax assets and liabilities, in particular the realizability of deferred tax assets

In order to determine deferred tax assets and deferred tax liabilities the management needs to make estimates and judgments, especially in the valuation of deferred tax assets and liabilities. Significant management estimate is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The process includes evaluation of the tax results of the Company, under consideration of local tax laws and regulations, assessment of the actual tax exposure and of temporary differences as well as assessment of the likelihood that deferred tax assets can be utilized in future periods through generation of taxable profits.

The recognition of a deferred tax asset is based on the assumption that it will be recoverable against future taxable income. The deterioration of tax results in the future could cause that this assumption could not be justified. When accounting for transactions the Company takes into account uncertainties as to whether its treatment will be accepted by the tax authorities. Estimates used for the recognition of deferred tax assets are updated annually with factors such as expected tax rates and expected future tax results of the Company.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries as the Company is able to control the timing of the reversal of the temporary differences and in the management's assessment it is probable that the differences will not reverse in the foreseeable future.

For more details on deferred tax assets and liabilities please refer to Note 4 *Significant accounting policies*, point (c) *Income tax* and to Note 11 *Income tax*.

Provisions and contingent liabilities

Determination of provisions and contingent liabilities is based on management's assessment of the probability of the outflow of resources embodying economic benefits, according to guidelines included in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

As of December 31, 2019 the Company recognized provision for a potential unfavourable outcome in the court case, presented in the line "Provisions" in the statements of financial position. On or about April 6, 2018, a putative class action complaint was filed against the Company in the U.S. District Court for the Western District of Washington by a player plaintiff. The complaint sought damages for alleged violations of Washington law associated with plaintiff's alleged in-app purchases within one or more of the Company's games. Specifically, the plaintiff alleged violations for the recovery of money lost in gambling and for violations of the Washington Consumer Protection Act. The plaintiff additionally sought damages for unjust enrichment. The Company denied the plaintiff's allegations, denied that it violated any laws or regulations, denied that the suit should be treated as a class action, denied the plaintiff's damages claims, and has been vigorously defending itself against the plaintiff's claims. The Company filed a motion to compel arbitration on July 2, 2018, which the District Court denied on November 13, 2018. The Company timely filed a notice of appeal on December 6, 2018, and filed its opening brief in the Ninth Circuit Court of Appeals on March 6, 2019. The Company also filed a motion to stay the district court proceedings pending a decision on its appeal, which was granted on March 1, 2019. The provision of USD 6,500 thousand was recognized in 2019 in the separate line item in the statement of the financial position as "Other provisions" and in the "Other operating income/(expense), net" line item in the statement of comprehensive income. The Company's management estimated that the costs would be realized within a period for which the discounting effect would not be material and accounts for the provision in an undiscounted amount. The parties mediated on June 15, 2020 and reached agreement on a term sheet on a class action basis on June 16, 2020. On August 23, 2020, a class action settlement agreement was concluded between the class representatives, including the plaintiff, and filed with the court, intending to fully, finally and forever resolve, discharge and settle the claims related to this suit. The United States District Court finally approved the Settlement Agreement on February 11, 2021.

The Court finds that the settlement is fair, reasonable and adequate and it is a result of extensive, arm's-length negotiations. Subsequently the Court ordered the Company to settle final claims determinations, including payment and prospective relief. Payment was made on March 26, 2021, with the corresponding utilization of the provision.

Further, HUUUGE Global Ltd agreed to participate in covering costs related to conclusion of the settlement agreement by compensating of the settlement fund amount. The Company has recognized income related to the compensation received amounting USD 6,500 thousand in line "Other operating income/(expense) net" in statement of comprehensive income.

3. Adoption of new and revised Standards

New International Financial Reporting Standards and Interpretations published but not yet effective:

- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30, 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard – not yet endorsed by EU at the date of approval of these financial statements for issue – effective for financial years beginning on or after January 1, 2016;
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on September 11, 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by International Accounting Standards Board;
- IFRS 17 *Insurance Contracts* (issued on May 18, 2017) including Amendments to IFRS 17 (issued on June 25, 2020) - effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 1: *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date* (issued on January 23, 2020 and July 15, 2020) – not yet endorsed by EU at the date of

approval of these financial statements for issue – effective for financial years beginning on or after January 1, 2023;

- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting policies* (issued on February 12, 2021) – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 8: *Definition of Accounting Estimates* (issued on February 12, 2021) – effective for financial years beginning on or after January 1, 2023;
- Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (issued on May 6, 2021) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023;
- Amendments to IFRS 3: *Reference to the Conceptual Framework* (issued on May 14, 2020) - effective for financial years beginning on or after January 1, 2022;
- Amendments to IAS 16: *Property, Plant and Equipment – Proceeds before Intended Use* (issued on May 14, 2020) – effective for financial years beginning on or after January 1, 2022;
- Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract* (issued on May 14, 2020) – effective for financial years beginning on or after January 1, 2022;
- Annual Improvements to IFRS Standards 2018–2020 (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022;
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2023;

These standards and amendments are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

New International Financial Reporting Standards and Interpretations effective for the first time for financial year 2021

During the year 2021, the following IFRS and amendments to IFRS or interpretations entered into force:

- Amendments to IFRS 16 Leases: *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 19.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

4. Significant accounting policies

The accounting policies applied by the Company in these financial statements have been consistently applied by the Company and are consistent across the reported periods, unless indicated otherwise.

(a) Foreign currency transactions – transactions and balances

Transactions in foreign currencies are translated to USD (which is the functional currency of the entity and the presentation currency of these financial statements) at exchange rates effective on the days of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the applicable closing exchange rates as of the balance sheet date. The foreign exchange rate differences arising on translation of transactions denominated in foreign currencies are recognized in the profit or loss in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the exchange rates at the date the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(b) Revenue

The Company's revenue is generated by services provided to the other entities in the Group. The Company's revenue comprises revenues from advertisement services, game design development services, and stewardship activities. In addition, revenue for the year ended December 31, 2020 was generated from legal services.

Advertisement services

The Company purchases certain advertisement services from third parties (mostly Platform providers such as Facebook), which are subsequently recharged to HUUUGE Global Ltd. The Company's management has determined that in its relation to the platforms the Company acts as an agent on behalf of HUUUGE Global Ltd. Further information on the judgment in this respect is presented in Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates – Model for revenue recognition*.

The Company's management identified one performance obligation which is advertisement services in gaming applications. Revenue is recognized over time, in the period in which services are provided.

Game design development services, legal services and stewardship activities

Under each of these revenue streams, The Company's management identified one performance obligation. Revenue is recognized over time, in the period in which services are provided. For game design development services, legal services and stewardship activities, the Company has a right to consideration in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

Management assesses that the Company does not have any contracts where the period between the transfer of the promised goods or services and payment exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money. A receivable is recognized when the consideration is unconditional because only the passage of time is required before the payment is due.

In relation to these services, the Company's management has determined that the Company acts as the principal as it controls the specified good or service before it is transferred to the customer. In such circumstances, the Company recognizes revenue in the amount of gross remuneration to which it expects to be entitled in exchange for the goods or services transferred.

(c) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items are recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognized for temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes

levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

(d) Shares in subsidiaries, associates and joint ventures

Shares in subsidiaries, associates and joint ventures not classified as held for sale in accordance with IFRS 5, are measured at historical cost in accordance with IAS 27 reduced by impairment losses, if any arise in accordance with IAS 36. The impairment test is carried out if there are any indications of impairment. The amount of the impairment loss is assessed by comparing the carrying amount to the higher of fair value less costs to sell and value in use. Usually transaction costs related to acquisition of shares in subsidiaries increase the costs (the carrying amount) of the investment.

Subsidiaries are entities controlled by the Company.

The Company controls an entity when it:

- has power to direct the relevant activities of the investees that significantly affect their returns,
- has exposure, or rights, to variable returns from its involvement with the investees,
- has the ability to use its power over the investees to affect the amount of the investor's returns.

The Company verifies if it has control over entities, if an event results in a change to one or more of the control conditions listed above.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Company does not have any associate.

(e) Financial instruments

The Company recognizes the non-derivative financial instruments such as other long-term financial assets (mostly long-term deposits), trade and other receivables, cash and cash equivalents (including investments in mutual funds), loans and borrowings, and trade and other payables.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Company classifies its financial assets to the measurement category: debt instruments to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest ("SPPI test"), are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss.

Management assesses the Company's expected credit losses ("ECLs") associated with debt instruments measured at amortized cost, regardless of whether or not there has been any indication of impairment. Please refer to Note 4 *Significant accounting policies*, point (g) *Impairment*, (i) *Financial assets* below.

(f) Leases

Management assesses at the time of entering into a contract whether the contract is a lease or contains a lease. A contract is a lease or contains a lease if it conveys the right to control the usage of an identifiable asset for a given period in exchange for consideration.

The Company applies a uniform approach to the recognition and measurement of all lease agreements except for short-term leases and low value asset leases. On the commencement date of a lease, the Company recognizes a right-of-use asset and a lease liability.

Right-of-use assets

The Company recognizes right-of-use assets on the date of commencing a lease i.e. at the date at which the leased assets are available for use by the Company. The right-of-use assets are presented in a separate line in the statement of financial position. The Company does not have any right-of-use assets that meet the definition of investment property which would be presented in statement of financial position in a separate line as “investment property”.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs,
- restoration costs.

Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. The amortization periods for the right-of-use assets are as follows:

right of use for vehicles	3 years
right of use for offices	1 – 5 years

Lease liabilities

At the commencement date lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the entity under residual value guarantees,
- the exercise price of a purchase option if the Company’s management is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the Company would exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Company’s incremental borrowing rate.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term includes the non-cancellable period of a lease plus periods covered by options to extend and/or terminate the lease if it is reasonably certain that the lease will be extended or terminated.

The Company applies the exemptions for short-term leases and leases of low-value assets. Payments associated with all short-term leases, i.e. with lease terms of 12 months or less, and certain leases of low-value assets, for which the underlying value is settled at USD 5 thousand or less, are recognized on a straight-line basis over the lease term as an expense in profit or loss.

(g) Impairment

(i) Financial assets

Management assesses the Company's ECLs associated with debt instruments measured at amortized cost, regardless of whether or not there has been any indication of impairment.

For trade receivables, the Company applies a simplified approach and measures a loss allowance for expected credit losses at the amount equal to the expected credit losses over the instrument's lifetime. The Company uses its historical data on credit losses, adjusted on an as-needed basis for the impact of forward-looking statements.

For other financial assets the Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). The financial assets with objective evidence of impairment are classified to Stage 3; for such assets lifetime ECL is recognized.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or annual impairment testing for an asset is required, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For other assets impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

At the end of each reporting period, management assesses whether there is any indication that any Company's assets may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 at the cash-generating unit level, irrespective of whether there is any indication of impairment.

As at December 31, 2021 and December 31, 2020 the Company had no intangible assets with an indefinite useful life.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments (including money market funds) with maturities at initial recognition of three months or less.

The judgement relating to the classification of the investments in money market funds as "cash and cash equivalents" is disclosed in Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates – Money market mutual funds*.

Cash on bank accounts and investments in money market mutual funds meets the SPPI test and the business model test "held to collect", therefore they are measured at amortized cost including an impairment loss determined in accordance with the expected loss model described in Note 4 *Significant accounting policies*, point (g) *Impairment*, (i) *Financial assets*.

(i) Trade and other receivables

Trade receivables are recognized initially at the fair value which is equal to the nominal amount when the contract does not contain significant financing. Subsequently, they are carried at amortized cost using the effective interest method, less loss allowance. The loss allowance is determined according to the accounting policy presented in Note 4 *Significant accounting policies*, point (g) *Impairment* (i) *Financial assets*.

Other receivables include deposits made to purchase property, plant and equipment, receivables from employees and receivables from the state budget. Other receivables that are not financial assets as at the end of the reporting period are measured at the amount due.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

The other payables comprise employees related liabilities, tax other than income tax liabilities, and accrued expenses, which are measured at the amount due.

(k) Share capital and other components of the equity

Share capital is presented at the total nominal value of the registered shares of the Parent Company.

As of December 31, 2021 all ordinary shares and 2 preference shares (series A and B) are classified as equity. Preferences attributable to series A and B of preference shares are described in Note 18 *Share capital*.

Incremental costs directly attributable to the issue of new shares are presented as the deduction of equity, i.e. supplementary capital. Qualifying transaction costs incurred in anticipation of an issuance of equity instruments are also deducted from the equity, i.e. supplementary capital. If the equity instruments are not subsequently issued, the transaction costs are recognized as an expense.

Any excess of the fair value of consideration received over the nominal value of shares issued is recorded as share premium in equity, i.e. supplementary capital.

As of December 31, 2020, and up to February 5, 2021, i.e. the date of the conversion, the preference shares of series C were classified as financial liability under IAS 32 – the accounting policy for those preference shares is presented in Note 4 *Significant accounting policies*, point (l) *Series C Preference Shares*. The judgement regarding the classification of the preference shares as debt or equity instrument is disclosed in Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates*. Details regarding the conversion are disclosed in Note 20 *Conversion of series C preference shares*.

In the line “Treasury shares”, the Company presents the own shares repurchased, which are recognized at costs and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in the supplementary capital.

In accordance with Delaware General Corporation Law, the Company may declare and pay dividends upon the shares of its capital stock either:

1. Out of its surplus, being the excess of its net assets over its capital (all or part of the consideration received by the corporation in exchange for its capital stock, as determined by the Board of Directors); or
2. In case there shall be no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

If the capital, as defined above, shall have been diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, the directors of such company shall not declare and pay out of such net profits any dividends upon any shares of any classes of its capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired.

Employee benefits reserve results from the share-based payment arrangements and is described in details in Note 4 *Significant accounting policies*, (n) *Share-based payment arrangements* and Note 19 *Share-based payment arrangements*.

(l) Series C preference shares

As of December 31, 2020 and up to February 5, 2021 (i.e. the date of the conversion) series C convertible preference shares represented a financial instrument, which was classified as the financial liability measured at fair value through profit or loss. The judgement regarding the classification of these preference shares as debt is disclosed in Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates*.

On issuance of the preference shares, the liability was measured at fair value. For this instrument issued in 2017, the fair value was determined to equal the proceeds from shares issuance. This amount was classified as a financial liability as of year-end December 31, 2020, measured at fair value through profit or loss until it was extinguished on conversion of preference shares. The liability was remeasured to fair value reflecting the fair value of underlying ordinary shares for which series C shares were converted on February 5, 2021, based on contractual conversion factor. Remeasurement gains and losses are presented in profit or loss (finance income or finance costs). Further information on the fair value measurement of this liability is presented in Note 5 *Determination of the fair value*.

(m) Interest-bearing loans and borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Modifications of liabilities that do not result in derecognition are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognized immediately in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Share-based payment arrangements

The Company runs an award program where the employees and contractors are receiving free options which entitle them to purchase the shares in the Company. Such program is a share-based payment program which is classified as equity settled due to the fact that the Company does not have an obligation to settle the obligation arising under the program by delivering cash to the employees or contractors.

Equity-settled share-based payments to employees of the Company and its subsidiaries and others providing similar services are measured at the fair value of the equity instruments at the grant date. The grant date fair value of the awards is determined using a share option pricing model.

Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 19 *Share-based payment arrangements*.

Options with the same grant date but with different periods during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied are treated as a separate awards with a different vesting period (staged vesting).

The fair value determined at the grant date of the equity-settled share-based payments is expensed (options granted to employees of the Company) or allocated to investments in subsidiaries (options granted to employees of the Company's subsidiaries) over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each period the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss, or investment in subsidiaries, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefit reserve.

IFRS 2 *Share-based Payment* does not address whether an increase in equity recognized in connection with a share-based payment transaction should be presented in a separate component within equity or within retained earnings. Such an increase is presented in employee benefit reserve.

The amount recognized as an expense or allocated to investment in subsidiaries is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(o) Employee benefits

(i) Defined contribution plans – retirement benefits

The Company has under local laws obligations to pay retirement benefits, however, as the average age of employees is low, no provision has been recorded due to its immaterial amount.

(ii) Other employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Provisions

A provision is recognized when the Company, as a result of a past event, has a present obligation (legal or constructive) that can be estimated reliably and it is probable that the Company will be required to settle that obligation (an outflow of economic benefits will be required). Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

(q) Research and development expenses

In the position "Research and development expenses", the Company recognizes costs related to game design of the existing and the new games.

(r) Finance income and expense

Finance income comprises interest income on funds invested and loans granted.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, leases and valuation of preferred shares series C classified as non-current liabilities prior to conversion on February 5, 2021.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position unless material, where separate presentation is required.

5. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, management determines whether in the Company transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for fair value measurement. External valuers are involved for valuation of significant assets and significant liabilities. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Fair values have been determined for measurement and for disclosure purposes as explained below.

(a) Preference shares liability measured at fair value through profit or loss

On February 5, 2021 series C preference shares were converted into common shares. At the date of the conversion series C preference shares liability was measured to fair value based on the value of shares established for the Company's initial public offering, with the loss recognized in profit or loss. For more information, please refer to Note 18 *Share capital* and to Note 20 *Conversion of series C preference shares*.

Prior to conversion, series C preference shares liability was measured at fair value initially and after initial recognition with the gains/loss on subsequent remeasurements being recognized in profit or loss.

The Company's ordinary shares and preference shares as of December 31, 2020 were not yet traded on any public market. Since the preference shares had the right to dividends and they were convertible at any time, their fair value was determined based on the fair value of the Company's ordinary shares on a non-marketable, minority, per share basis.

At the year-end December 31, 2020, no transactions took place in its shares (e.g. repurchase of ordinary shares), the prices of which could be used by the Company to determine the fair value at the year-end December 31, 2020. In this case, the Company's management determined the fair value of the non-listed common shares of the Company which were the basis for valuation of liability resulting from issuance of series C preference shares using valuation techniques, in particular, the Option-Pricing Method.

As of December 31, 2020, the fair value measurements of series C preference shares were classified in Level 3 of the fair value hierarchy. The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as of December 31, 2020 were the following: EBITDA multiple, discount for lack of marketability, revenue multiple, discount rate, probability of the initial public offering.

(b) Trade and other receivables measured at amortized cost

For trade and other receivables and deposits, the Company's management considers their carrying amounts be the best estimates of fair values, due to the short-term nature and high liquidity of these instruments. This fair value is determined for disclosure purposes.

(c) Non-derivative financial liabilities measured at amortized cost

For trade accounts payable, the Company's management considers their carrying amounts to be the best estimation of their respective fair values, determined for disclosure purposes, due to the short term nature of these instruments. Fair value of non-derivative financial liabilities other than trade accounts payable, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For lease liabilities, an interest rate implicit in the lease is used, if that rate can be readily determined; if that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

As of December 31, 2021 and December 31, 2020 the Company does not classify any assets or liabilities to be subsequently measured at fair value except for the preference shares (prior to its conversion on February 5, 2021) as indicated in point (a) above.

6. Revenue

The Company's revenue is generated by services rendered to the other entities in the Group. The Company's revenue comprises revenues from facilitating the advertisement services on behalf of HUUUGE Global Ltd. and delivering game design development services, legal services and stewardship activities. The Company as an agent presents revenues from advertisement services in net amounts, for further details on the judgement please refer to Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates*. In the year ended December 31, 2021 the Company's revenues amounted to USD 3,824 thousand (USD 2,681 thousand from game design services, USD 820 thousand from stewardship services and USD 323 thousand from legal services), and in the year ended December 31, 2020, – USD 2,817 thousand (USD 1,673 thousand from game design services and USD 1,144 thousand from legal services).

7. Segment information

The Company uses the exemption with respect to the disclosures of segment information in accordance with IFRS 8.4, therefore, the analysis of the Company's operating segments has been presented in the consolidated financial statements of the Group.

8. Operating expenses

For the years ended December 31, 2021 and December 31, 2020 operating expenses include:

Expenses by nature	Year ended December 31, 2021	Year ended December 31, 2020
Salaries and employee-related costs including:	2,957	2,215
- Share-based payment expense	565	180
- Other employee-related costs	189	92
- Social security contributions	73	75
- Salaries	2,130	1,868
Finance & legal services	3,385	2,407
Legal services related to acquisition of shares in subsidiaries	-	234
Legal services incurred in anticipation of the Company's initial public offering	-	1,788
Property maintenance and external services	161	67
Other costs	226	80
Total operating expenses	6,729	6,791

9. Other operating income and expense

	Year ended December 31, 2021	Year ended December 31, 2020
Compensation for court case received		6,500
Other operating income/(expense) net	(80)	36
Total other operating income/(expense) net	(80)	6,536

For more information related to recognition of court case provision and compensation for court case received please refer to Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates*.

10. Finance expense

Finance expense

Finance expenses include mainly valuation of preferred shares from series C classified as non-current liabilities prior to conversion on February 5, 2021 (for more information please refer to Note 20 *Conversion of series C preference shares*) and net foreign exchange losses.

	Year ended December 31, 2021	Year ended December 31, 2020
Valuation of preferred shares classified as non-current liabilities	38,997	127,768
Loss on foreign exchange forward contract	2,662	-
Finance expense recognized on repurchase of series C preference shares	-	481
Foreign exchange losses, net	540	22
Other	6	38
Total finance expense	42,205	128,309

Prior to the initial public offering, the Company had entered into foreign exchange forward contract contingent upon the event of initial public offering. Upon the occurrence of the initial public offering event, the Company received proceeds from the newly issued shares converted to USD at a fixed PLN/USD exchange rate, as determined in the forward contract. The Company's policy choice is to present the profit or loss on forward contracts as finance income or expense accordingly. Loss of USD 2,662 thousand was incurred on the forward contract settlement date, presented in the line "Finance expense" in the statement of comprehensive income.

11. Income tax

	As of December 31, 2021	As of December 31, 2020
Deferred tax assets	92	132
Deferred tax liabilities	44	160
Net deferred tax asset/(liability)	48	(28)

	Year ended December 31, 2021	Year ended December 31, 2020
Current income tax	-	-
Adjustments in respect of current income tax of previous year	150	
Change in deferred income tax	(77)	96
Income tax for the period	73	96

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applied to its profit as follows:

Effective tax rate reconciliation	Year ended December 31, 2021	Year ended December 31, 2020
Profit/(loss) before income tax	(45,133)	(125,581)
Statutory tax rate in the United States	21%	21%
Theoretical tax expense/(benefit) according to current tax rate in the United States	(9,478)	(26,372)
Tax impact of non-taxable revenues	-	-
Tax impact of non-deductible costs – ESOP	119	38
Tax impact of non-deductible costs – series C shares valuation	8,189	26,831
GILTI* income net of FDII** deduction, net of foreign tax credit	1,234	-
Tax impact of non-deductible costs – provision for Washington court case	-	(1,365)
Tax impact of non-deductible costs – other	(141)	370
Non-deductible withholding tax	-	2
Temporary differences with no deferred tax recognized	-	592
Correction of the current tax relating to previous years	150	-
Tax charge	73	96
Effective tax rate	(0.2%)	(0.1%)

* GILTI - Global Intangible Low-Taxed Income

** FDII - Foreign-Derived Intangible Income

This is a reconciling item since the Company cannot recognize tax benefit on the tax loss due to the foreign-derived intangible income.

Deferred tax reconciliation

Deferred tax assets	As of December 31, 2021	As of December 31, 2020
Accrued expenses	62	86
Lease liabilities	30	46
Deferred tax assets	92	132
Compensation with deferred tax liabilities	(44)	(132)
Deferred tax asset presented in the statement of financial position	48	-

Deferred tax assets are expected to be recovered within 12 months from the reporting date.

Deferred tax liabilities	As of December 31, 2021	As of December 31, 2020
Tangible assets	15	8
Right of use assets	29	44
Other differences	-	108
Deferred tax liabilities	44	160
Compensation with deferred tax assets	(44)	(132)
Deferred tax liability presented in the statement of financial position	-	28

Deferred tax liabilities expected to be settled within 12 months from the reporting date.

	Year ended December 31, 2021	Year ended December 31, 2020
Net deferred tax assets/(liabilities) at the beginning of the period	(28)	68
Net deferred tax assets/(liabilities) at the end of the period	48	(28)
Deferred tax in the net profit for the period	(76)	96

As of December 31, 2020 the Company has incurred tax loss, unrecognized in statements of comprehensive income deferred tax related to the loss amounts USD 592 thousand.

As of December 31, 2021 there was no unused tax losses for which no deferred tax would be recognized in the statement of financial position.

12. Investment in subsidiaries

	As of December 31, 2021	As of December 31, 2020
Investment in subsidiaries:		
Huuuge Games Sp. z o.o.	2,326	2,326
Huuuge Global Ltd	3,593	6
Huuuge Digital Ltd	-	-
Huuuge Tap Tap Games Ltd	1	1
Playable Platform B.V.	1,826	1,588
Double Star Oy	-	2,143
Huuuge UK	345	-
Impairment	-	-
Options granted to employees of the Company's subsidiaries under stock option program (described in the Note 19 <i>Share-based payment arrangements</i>)	18,765	7,569
Total	26,856	13,633

On July 1, 2021 new entity Huuuge UK Ltd. (incorporated in United Kingdom) was established. 100% of shares of this entity

were taken up by HUUUGE Inc. The entity was established with a share capital amounting to GBP 250 thousand. The new entity was established in United Kingdom for the purposes of extension of international presence of the Group.

Increase in the investments in Playable Platform B.V. is due to the additional capital injection during period ended December 31, 2021 in the amount of USD 238 thousand. The difference between the consideration paid for the acquisition of the shares of Playable Platform B.V. presented in the statement of cash-flow for the period ended December 31, 2020 in the line "Purchase of shares in subsidiaries" and the carrying value of the investments in this subsidiary is due to the fact that payments for the transaction were partially settled in the form of equity consideration.

Increase in the investments in Double Star Oy (before transfer to HUUUGE Global Ltd.) is due to the capital injection during period ended December 31, 2021, earn-out consideration paid in cash in the amount of USD 426 thousand and due to the deferred payment in the total amount of USD 1,000 thousand (paid in January 2021) subject to the continuing employment claw back condition for the sellers of Double Star Oy, which is recognized as an increase of the investment on a straight-line basis throughout the period of one year after the acquisition date.

On December 31, 2021, investment in Double Star Oy was transferred to HUUUGE Global Ltd. On December 31, 2021 share capital of HUUUGE Global Ltd. was increased by 1000 ordinary shares with the nominal value of USD 1.13 USD per share (not in thousand) and the share premium of USD 3,804.87 per share (not in thousand). The new shares issued were allotted to HUUUGE Inc. The consideration for the newly issued shares in the amount of USD 3,806 thousand was received by HUUUGE Global Ltd. in the form of all of the investment made from HUUUGE Inc to Double Star Oy, incorporated under the Laws Finland with its registered office in Helsinki, Itamerentori 2, 00180, Helsinki, Finland with registration number 75919524. As a result of this transaction, HUUUGE Global Ltd. is 100% owned and controlled by HUUUGE Inc, and HUUUGE Global Ltd. is a sole shareholder of Double Star Oy. The transaction has not impacted on both HUUUGE Inc. financial result and equity, i.e. carrying amount of investment in Double Star Oy in the amount of USD 3,806 thousand was transferred to the investment in HUUUGE Global Ltd.

As at December 31, 2021 and December 31, 2020 there was no impairment of the investment in subsidiaries recognized due to the lack of the impairment indicators. When reviewing the indicators of impairment, the Company's management has considered the following factors:

- external sources, such as: observable indications that the assets' value has declined significantly more than would be expected; significant changes with an adverse effect in the technological, market, economic or legal environment; market capitalization;
- internal sources, such as: evidence of obsolescence or physical damage of the assets; evidence that economic performance of the assets is or will be worse than expected; plans to discontinue or restructure the operation, plans to dispose the assets before than previously expected.

13. Loans granted

Loans granted to HUUUGE Digital Ltd.

In 2018, the Company granted four loans to HUUUGE Digital Ltd. at the total amount of USD 800 thousand with interest rate of 5%. Purpose of the loan granted was to finance current operational activities of HUUUGE Digital Ltd. The loans were granted on market conditions with payment term of 270 days from date of transfer of the relevant tranche. In 2020, the Company granted HUUUGE Digital Ltd a loan of USD 600 thousand with an interest rate of 2% with maturity of 5 years. On December 31, 2020 the balance of loans amounted to USD 1,487 thousand.

The principal of the loans in amount of USD 1,400 thousand and due interests in amount of USD 128 thousand were paid on December 29, 2021.

14. Financial risk management

(a) Introduction

Risk management performed by the Company is aimed at reducing the impact of adverse factors on the financial statements. This note presents information about the Company's exposure to specific risks arising from financial instruments as well as the Company's objectives aimed at maintaining effective process for risk management.

The Company is exposed in particular to the following risks arising from financial instruments:

- credit risk,
- liquidity risk,
- market risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors continually identifies, evaluates and manages the risks faced by the Company, sets appropriate risk limits and controls and monitors risks.

The Company's management monitors financial risks regarding the Group as a whole for the purpose of making risk management related decisions.

(b) Credit risk

Credit risk relating to cash and cash equivalents

The Company is exposed to credit risks mainly with regard to cash and cash equivalents, that include bank deposits and investments in money market funds, which could arise if a counterparty becomes insolvent and accordingly is unable to return the deposited funds or execute the obligations as a result of the insolvency. To mitigate this risk, wherever possible the Company's management conducts transactions and deposits funds with investment grade rated financial institutions, as well as monitors and limits the concentration of transactions with any single party. The Company's management uses Moody's credit ratings. The information about the credit risk rating grades is presented in the table below.

Moody's Rating	As of December 31, 2021	As of December 31, 2020
Aaa	105	3,635
Aa3	-	3,649
A3	106,225	-
Total cash and cash equivalents	106,330	7,284

Cash and cash equivalents (investments in money market mutual funds) are kept in financial institutions with Aaa and A3 rating only, which are investment ratings according to Moody's.

Cash and cash equivalents are kept at a limited number of major financial institutions. The Company's management monitors the creditworthiness of the institutions and mitigates concentration risk by not limiting the exposure to a single counter party, nevertheless at each reporting date there is a significant concentration of the credit risk.

As at December 31, 2021, the concentration of funds in two financial institutions was respectively 85.6% and 14.4%. As at December 31, 2020, the largest concentration of funds in two financial institutions was respectively 49.9% and 49.9% with the remaining funds not being concentrated more than 0.2% in a single financial institution.

Total gross carrying amounts of cash and cash equivalents as of December 31, 2021 and December 31, 2020 were included in Stage 1, based on assessment that credit risk has not increased significantly since initial recognition. For financial assets in Stage 1, the Company recognizes 12 month ECL and recognizes interest income on a gross basis – interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Management has assessed that the Company’s provision for expected credit losses related to cash and cash equivalents would not be material in any of the periods presented.

The carrying amount of cash and cash equivalents balance represents the maximum credit exposure.

Credit risk with respect to trade receivables and other receivables

The carrying amount of trade receivables represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was as follows:

Carrying amount	As of December 31, 2021	As of December 31, 2020
Trade receivables from third parties	-	-
Trade receivables from related parties	3,893	15,071
Total	3,893	15,071

The Company has trade receivables only from one related party – HUUUGE Global Ltd. Transactions with related parties are described in Note 26 *Related party transactions*.

Allowance for expected credit losses

The Company recognizes allowance for expected credit losses according to IFRS 9 *Financial Instruments*, considering all reasonable and supportive information (e.g. customer rating, historical recoverability).

The Company has trade receivables only from its related party for each period presented therefore, the Company does not apply the portfolio approach, and instead performs the analysis on the individual basis. Taking into account that Company’s trade receivables are only from one related party and there were no issues with historical recoverability, the related expected credit losses had been assessed as immaterial.

There are no trade receivables which are overdue more than 90 days or individually identified as impaired, nor any receivables from loans granted.

The ageing of trade receivables at the reporting dates was as follows:

As of December 31, 2021	Total	not due and overdue up to 1 month	over 1 month to 3 months	over 3 months to 6 months	over 6 month to 1 year	over 1 year
Trade receivables from related parties	3,893	3,466	106	321	-	-
Loans granted to the related parties	-	-	-	-	-	-
Allowance for expected credit losses/ impairment	-	-	-	-	-	-
Receivables, net	3,893	3,466	106	321	-	-

As of December 31, 2020	Total	not due and overdue up to 1 month	over 1 month to 3 months	over 3 months to 6 months	over 6 month to 1 year	over 1 year
Trade receivables from related parties	15,071	15,071	-	-	-	-
Loans granted to the related parties	1,487	1,487	-	-	-	-
Allowance for expected credit losses/ impairment	-	-	-	-	-	-
Receivables, net	16,558	16,558	-	-	-	-

(c) Liquidity risk

Liquidity risk means the risk that the Company may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's management approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk is assessed in conjunction with the Company's budgeted cash flows and by managing a proper current liabilities structure.

In addition, in February 2021 HUUUGE Inc, has launched its initial public offering, with final listing date on the Warsaw Stock Exchange was February 19, 2021. Net proceeds from the issuance of the newly issued shares amounted to USD 101 million after deduction of costs and expenses associated with the offering, and after execution of the stabilization process described in Note 18 Share capital. Unexpected business circumstances that may lead to deteriorating liquidity position are balanced with the demand for the Company's debt. The method of measuring the liquidity risk consists of the analysis of the cover of current liabilities with available cash resources.

There are no bank loan balances and bank loan agreements in force as at December 31, 2021, December 31, 2020 and as at date of approval these financial statements for issue, thus also interest rate risk is remote from the Company's perspective. Moreover, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Company's operations, and thus its liquidity, have not been adversely affected by the global COVID-19 pandemic.

The following are the contractual maturities of financial liabilities including estimated interest payments as of respective balance sheet dates:

As of December 31, 2021	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	over 5 years
Trade payables	533	533	533	-	-	-	-
Accrued expenses (except taxes and employee-related)	1,733	1,733	1,733	-	-	-	-
Lease liabilities	144	144	39	39	66	-	-
Non derivative financial liabilities	2,410	2,410	2,305	39	66	-	-

As of December 31, 2020	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	over 5 years
Trade payables	2,822	2,822	2,822	-	-	-	-
Accrued expenses (except taxes and employee-related)	3,494	3,494	3,494	-	-	-	-
Lease liabilities	218	220	38	38	78	66	-
Non derivative financial liabilities	6,534	6,536	6,354	38	78	66	-

As of December 31, 2020 Series C preference shares were not included in the maturity analysis as they were settled by delivery of the Company's own equity instruments, and, consequently, its settlement did not impact the overall liquidity position of the Company.

There were no derivative financial instruments at the end of reported periods.

The changes in liabilities arising from financing activities are presented in Note 22 Lease and in Note 20 Conversion of series C preference shares .

HUUUGE INC.

Separate financial statements as of and for the year ended December 31, 2021
(all amounts in tables presented in thousand USD, except where stated otherwise)

This version is a pdf of executed xHTML Separate financial statements as of and for the year ended December 31, 2021. In case of any discrepancies xHTML version shall prevail

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices may affect the Company's income or the value of the financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company does not apply hedge accounting in order to manage volatility in profit or loss and so far neither has entered into derivatives nor incurred external financial liabilities.

(i) Currency risk

Management of the Company has analyzed currency risk related to variability of exchange rates and did not identify significant balances of accounts denominated in foreign currencies (cash and cash equivalents, trade receivables and trade payables) and transactions carried in foreign currencies which would be associated with a significant currency risk for the Company.

(ii) Interest rate risk

As the Company has not entered in bank loan agreements in all presented periods till December 31, 2021, the interest rate risk is marginal.

The Company does not have any significant interest bearing liabilities at variable rate which would exposure the Company to the cash flow risk.

The Company's interest bearing assets are cash and cash equivalents. The cash at banks is on current account at variable interest rate. The investments in money market funds are at variable interest rate. The interest bearing assets at variable rate expose the Company to cash flow risk.

Taking into account the level of the interest rates on the bank accounts and on the short term investments in money market funds (i.e. interest income generated in 2021 amounts to USD 53 thousand, in 2020: USD 166 thousand) the Company's profit or loss is not sensitive to reasonably possible changes in interest rates therefore the detailed sensitivity analysis is not presented.

(e) Capital management

The Board of Directors manages the Company's capital structure and makes adjustments in light of changes in economic conditions.

The Board's of Directors policy is to maintain a strong capital base so as to maintain investors' and market confidence and to sustain future development of the business. The Company's management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, with the objective to safeguard the ability to continue as a going concern and optimize the capital structure in order to reduce the cost of capital and maximize the return on capital to the shareholders. The amount of capital maintained in each reporting period (see table below) met management's objectives.

The capital managed by the Company's management includes equity and preference shares series C, classified as non-current financial liabilities as of December 31, 2020 and further converted on February 5, 2021. As such, managed capital consists of ordinary shares, preference shares of series A and B, as well as repurchased own shares and options as of year-ended December 31, 2021. For the amounts please refer to respective Note 18 *Share capital*, of these financial statements. There are no externally imposed capital management requirements (such as covenants or similar).

The Company's management monitors the return on capital on the basis of the basic and diluted earnings per share ratios. Further information on calculation of earnings per share ratios is presented in the Group's consolidated financial statements. The objective of the Management is to maximize the return on capital to the shareholders.

No dividends were declared and paid by the Company to its shareholders in the years ending December 31, 2021 and December 31, 2020.

	As of December 31, 2021	As of December 31, 2020
Equity	134,869	(152,734)
Preference shares series C (non-current liability)	-	176,606
Total capital	134,869	23,872

15. Accounting classifications of financial instruments and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

As of December 31, 2021	Financial assets measured at amortized cost	Financial liabilities measured at fair value	Financial liabilities at amortized cost	Financial liabilities out of scope of IFRS 9	Total carrying amount	Fair value
Assets	110,223	-	-	-	110,223	110,223
Trade receivables from related parties	3,893	-	-	-	3,893	3,893
Cash and cash equivalents	106,330	-	-	-	106,330	106,330
Liabilities	-	-	553	144	677	677
Lease liability	-	-	-	144	144	144
Trade payables	-	-	533	-	533	533
Total	110,223	-	553	144	110,900	110,900

As of December 31, 2020	Financial assets measured at amortized cost	Financial liabilities measured at fair value	Financial liabilities at amortized cost	Financial liabilities out of scope of IFRS 9	Total carrying amount	Fair value
Assets	23,842	-	-	-	23,842	23,842
Trade receivables from related parties	15,071	-	-	-	15,071	15,071
Loans granted to related parties	1,487	-	-	-	1,487	1,487
Cash and cash equivalents	7,284	-	-	-	7,284	7,284
Liabilities	-	176,606	2,822	218	179,646	179,646
Preference shares	-	176,606	-	-	176,606	176,606
Lease liability	-	-	-	218	218	218
Trade payables	-	-	2,822	-	2,822	2,822
Total	23,842	176,606	2,822	218	203,488	203,488

As at December 31, 2021 and December 31, 2020 the Company's management did not identify any financial assets measured at fair value – neither through profit or loss nor through other comprehensive income.

The Company's management believes that the fair values of financial instruments do not differ significantly from their carrying amounts.

Series C preference shares

Prior to conversion on February 5, 2021 series C preference shares liability was measured at fair value initially with gains/losses on subsequent remeasurements being recognized in profit or loss at each reporting period. The fair value measurements of series C preference shares was classified as Level 3 of the fair value hierarchy.

Further information regarding the gain/loss recognized in presented period on the remeasurement of the preference shares liability is presented in Note 20 *Conversion of series C preference shares*.

16. Trade and other receivables

	As of December 31, 2021	As of December 31, 2020
Trade receivables and accrued revenues from related parties	3,893	15,071
Trade accounts receivable from third parties	-	-
Prepaid expenses	160	157
Other receivables	96	-
Total trade and other receivables	4,149	15,228

Allowance for expected credit losses/ impairment of trade receivables is not significant.

Transactions with related parties are described in Note 26 *Related party transactions*.

Prepaid expenses include advance payments for services that will be received in the future. Main types of prepayments are: subscription of Internet services, expenses from cloud computing arrangements which do not include an intangible asset (software as a service contracts) and domain costs.

17. Cash and cash equivalents

	As of December 31, 2021	As of December 31, 2020
Cash at banks (current accounts)	106,330	15
Money market mutual fund investments	-	7,269
Total cash and cash equivalents	106,330	7,284

Money market mutual fund investments have been classified as cash equivalents. For the reasoning please refer to Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates*.

As of December 31, 2021 there was restricted cash of USD 19 thousand (USD 15 thousand as of December 31, 2020).

18. Share capital

Starting from February 5, 2021, Company's share capital comprised of common shares and preference shares series A and B. Before February 5, 2021, Company's share capital comprised of common and preferred shares series A, B and C. Below are presented movements on different components of equity divided in the categories of shares (nominal values presented in USD, not thousand USD):

Shares classified as equity instruments as of December 31, 2021, i.e. including preference shares of series C after conversion (see Note 14 *Financial risk management point (e) Capital management*)

	Common shares		Preference shares (incl series C)		Treasury shares		Treasury shares allocated for the existing share-based payment programs		Sub-total (issued)		Shares allocated for the existing share-based payment programs (not issued)		Grand total	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
As of January 1, 2021	8,618,959	863	5,963,949	596	1,390,019	139	794,442	80	16,767,369	1,678	881,071	88	17,648,440	1,766
Redemption of treasury shares	-	-	-	-	(1,390,019)	(139)	(794,442)	(80)	(2,184,461)	(219)	-	-	(2,184,461)	(219)
Exercise of stock options	6,411	1	-	-	-	-	-	-	6,411	1	(6,411)	(1)	-	-
Allocation of shares to Share-based payment program	-	-	-	-	-	-	-	-	-	-	794,442	80	794,442	80
All shares before share split	8,625,370	864	5,963,949	596	-	-	-	-	14,589,319	1,460	1,669,102	167	16,258,421	1,627
All shares after share split	43,126,850	864	29,819,745	596	-	-	-	-	72,946,595	1,460	8,345,510	167	81,292,105	1,627
Conversion of preference shares	29,819,745	596	(29,819,745)	(596)	-	-	-	-	-	-	-	-	-	-
Shares issued	11,300,100	226	-	-	-	-	-	-	11,300,100	226	-	-	11,300,100	226
Stabilization option	(3,331,668)	(67)	-	-	3,331,668	67	-	-	-	-	-	-	-	-
Preference shares issued	-	-	2	0	-	-	-	-	2	0	-	-	2	0
Reduction of shares allocated for the existing share-based payment programs (not issued)	-	-	-	-	-	-	-	-	-	-	(1,775,320)	(36)	(1,775,320)	(36)
Allocation of treasury shares to share-based payment program	-	-	-	-	(1,775,320)	(36)	1,775,320	36	-	-	5,897,271	118	5,897,271	118
Exercise of stock options	1,775,320	36	-	-	-	-	(1,775,320)	(36)	-	-	-	-	-	-
As of December 31, 2021	82,690,347	1,655	2	0	1,556,348	31	-	-	84,246,697	1,686	12,467,461	249	96,714,158	1,935

Shares classified as equity instruments as of December 31, 2020 (i.e. excluding preference shares of series C prior to conversion):

	Common shares		Preference shares (excl series C)		Treasury shares		Treasury shares allocated for existing share-based payment program		Sub-total (issued)		Shares allocated for the share-based payment program (not issued)		Grand total	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
As of January 1, 2020	8,396,921	840	2,532,450	253	1,890,872	189	405,000	41	13,225,243	1,323	1,057,080	106	14,282,323	1,429
Shares reissued/(repurchased)	-	-	192,802	19	(192,802)	(19)	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	46,029	5	-	-	(46,029)	(5)	-	-	-	-	-	-	-	-
Allocation of shares to Share-based payment program	-	-	-	-	(389,442)	(39)	389,442	39	-	-	-	-	-	-
Exercise of stock options	176,009	18	-	-	-	-	-	-	176,009	18	(176,009)	(18)	-	-
As of December 31, 2020	8,618,959	863	2,725,252	272	1,262,599	126	794,442	80	13,401,252	1,341	881,071	88	14,282,323	1,429

All shares managed as capital as of December 31, 2020 (see Note 14 *Financial risk management* point (e) *Capital management*), thus comprising the equity and liability instruments (i.e. including preference shares of series C):

	Common shares		Preference shares (incl series C)		Treasury shares		Treasury shares allocated for existing share-based payment program		Sub-total (issued)		Shares allocated for the share-based payment program (not issued)		Grand total	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
As of January 1, 2020	8,396,921	840	5,749,621	575	2,039,818	204	405,000	41	16,591,360	1,660	1,057,080	106	17,648,440	1,766
Shares reissued/(repurchased)	-	-	214,328	21	(214,328)	(21)	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	46,029	5	-	-	(46,029)	(5)	-	-	-	-	-	-	-	-
Allocation of shares to Share-based payment program	-	-	-	-	(389,442)	(39)	389,442	39	-	-	-	-	-	-
Exercise of stock options	176,009	18	-	-	-	-	-	-	176,009	18	(176,009)	(18)	-	-
As of December 31, 2020	8,618,959	863	5,963,949	596	1,390,019	139	794,442	80	16,767,369	1,678	881,071	88	17,648,440	1,766

HUUUGE INC.

Separate financial statements as of and for the year ended December 31, 2021
(all amounts in tables presented in thousand USD, except where stated otherwise)

This version is a pdf of executed xHTML Separate financial statements as of and for the year ended December 31, 2021. In case of any discrepancies xHTML version shall prevail

The Company is authorized to issue up to 113,881,420 shares with a par value of USD 0.00002 (113,881,418 of common shares and 1 share of series A preferred share and 1 share of series B preferred share). As of December 31, 2021, 1,775,320 shares were allocated to a reserve which could be issued only with majority shareholders approval. This is a consequence of using 1,775,320 treasury shares for the Company's ESOP obligations (as described below), which otherwise would need to be satisfied via issuance of new shares.

As of December 31, 2021, the share capital of the Company comprised 84,246,697 shares with a par value of USD 0.00002 per share and the total value of USD 1,686 (not thousand), including 82,690,347 common shares held by shareholders, 2 preference shares (one preference share of series A and one preference share of series B), and 1,556,348 of common shares reacquired by the Company and not redeemed (treasury shares and treasury shares allocated for the existing share-based payment programs).

As of December 31, 2020 there were ordinary and preference shares, including shares reacquired by HUUUGE Inc. and not redeemed (so-called treasury shares) of the nominal value of USD 0.0001 per share and the total value of USD 1,598 (not thousand). 9,226,810 ordinary shares include: 8,618,959 ordinary shares held by shareholders and 607,851 of ordinary shares reacquired by the Company and not redeemed.

As of December 31, 2020 there were 6,746,117 preference shares, out of which 782,168 were reacquired by HUUUGE Inc. and not redeemed (treasury stock), including 257,103 preference shares of series A, 397,645 preference shares of series B and 127,420 shares of series C (presented in the financial statements within financial liabilities).

During the year 2021, the number of shares (not issued) allocated for the existing share-based payment programs was reduced by 1,775,320 shares. This is because the treasury shares were delivered to employees for the part of options exercised during the year ended December 31, 2021. On August 9, 2021 the number of shares allocated (not issued) for employee stock option plan was extended by additional 5,897,271 shares. After the changes, as of December 31, 2021 12,467,461 shares with a par value of USD 0.00002 per share were reserved for two stock option programs established in 2015 and 2019 years.

As of December 31, 2020 1,675,513 shares were reserved for two stock option programs: 881,071 shares for the stock option program established in year 2015 and 794,442 shares for the stock option program established in 2019.

In 2021 and 2020, some share options held by the employees under the share based payment program were exercised, resulting in the issue of ordinary shares or the delivery of treasury shares with the difference between the exercise price paid by the employee and the nominal amount of shares recognized as share premium (presented within "Supplementary capital"), as described below in this note. Further information on the share-based program is presented in Note 19 *Share-based payment arrangements*.

In the year ended December 31, 2021 the following transactions in preference shares took place:

- **Redemption of treasury shares**

On January 15, 2021 the Board of Directors of the Company approved to retire all of the Company's common and preferred shares that were held as treasury shares, which were as follows:

- common shares – 1,402,293 shares
- series A preference shares – 257,103 shares
- series B preference shares – 397,645 shares
- series C preference shares – 127,420 shares.

Common shares were reverted to the status of authorized but unissued shares, preferred shares were eliminated to no longer be issued or outstanding shares.

Redemption of treasury shares has been recognized as a decrease in supplementary capital in the statement of changes in equity in the amount of USD 33,994 thousand.

- **Share split**

On January 18, 2021 the Board of Directors approved the split of all of the Company's existing common and preferred shares. The Certificate of Incorporation of HUUUGE Inc. was amended as following:

The total number of shares of all classes of stock which HUUUGE Inc. has authority to issue is 118,063,540 shares, which shall be divided into:

- (i) 88,243,795 common shares, with a par value of USD 0.00002 per share, and
- (ii) 29,819,745 preferred shares series consisting of:
 - a) 8,714,485 series A preferred shares, with a par value of USD 0.00002 per share,
 - b) 4,911,775 series B preferred shares, with a par value of USD 0.00002 per share, and
 - c) 16,193,485 series C preferred shares, with a par value of USD 0.00002 per share.

After this amendment each one common and each one preferred share, with a par value of USD 0.0001 per share, issued and outstanding or held by HUUUGE Inc. as treasury shares was automatically reclassified as five shares of common or preferred shares accordingly, with a par value of USD 0.00002 per share.

Split of shares required weighted average number of shares presented in Note 12 *Financial risk management*, point (f) *Earnings per share* of HUUUGE Inc. Group consolidated financial statement as of and for the year ended December 31, 2021 to be adjusted in the calculation of both basic and diluted earnings per share for all periods presented in accordance with IAS 33 Earnings per share.

- **Conversion of preference shares series A, B and C**

On February 5, 2021 all preference shares series A, B and C were converted into common shares, as shown in the table below:

	Before the conversion			After conversion
	Series A preference shares	Series B preference shares	Series C preference shares	Common shares
Number of shares	8,714,485	4,911,775	16,193,485	29,819,745

Conversion of preference shares A,B and C has been recognized as an increase in supplementary capital in the statement of changes in equity in the amount of USD 215,603 thousand.

- **Issuance of series A and series B preference shares**

On February 5, 2021 the Board of Directors, issued one series A preference share to RPII HGE LLC (Raine Group), with a par value of USD 0.00002 per share for cash consideration of USD 50 and one series B preference share to Big Bets OU, with a par value of USD 0.00002 per share, for cash consideration of USD 50, for which total cash consideration amounting to USD 100 was received in February 2021. The difference between the nominal amount and the consideration received was recognized in the supplementary capital in the statement of changes in equity.

- **Initial public offering**

On January 27, 2021 Huuuge Inc. published its prospectus and launched its initial public offering. The offering comprised a public subscription for 11,300,100 newly issued shares. The final share price for offering shares was determined as PLN 50 per share (approx. USD 13.53 per share). Difference between the nominal amount of newly issued shares and the cash consideration received was in the supplementary capital in the statement of changes in equity. Proceeds from issue of common shares for public subscription amounted to USD 152,929 thousand. Net proceeds from the issuance of the newly issued shares amounted to USD 101.434 thousand after deduction costs and expenses associated with the offering, and after execution of the stabilization process as described below.

Funds obtained from issuance of shares are planned to be spent on acquisition of entities and assets to expand the Group's offer and competences. Prior to the offering, Huuuge, Inc. has entered into foreign exchange forward contract contingent upon the event of initial public offering. In accordance with the agreement, upon the occurrence of the initial public offering event, the amount of PLN 379,000 thousand (out of net proceeds from the newly issued shares) will be converted to the USD at a fixed rate at the date of settlement of the contract. The Company recognized the finance costs resulting from this transaction in the amount of 2,662 thousand USD. Please refer to Note 10 *Finance expense* for details.

On April 6, 2021 current Report 11/2021 was issued about the information on the costs of the offering and stabilization actions incurred by Huuuge Inc. The total costs incurred in connection with the offering amounted to USD 7,372 thousand. The total cost of the public offering has been accounted for by:

- a charge to current period expenses of USD 1,651 thousand of which USD 1,526 thousand was recorded in the year 2020 and USD 125 thousand was recorded in the year 2021, and

- a decrease in equity of USD 5,721 thousand of which USD 864 thousand decreased equity in the year 2020, and USD 4,857 thousand decreased equity in the year 2021, which reflects the portion of costs associated with obtaining a funding form new issuance.

- **Execution of stabilization option**

In relation to the initial public offering, on February 5, 2021 the Company and IPOPEMA Securities S.A. ("Stabilization Manager") signed Stabilization Agreement. The purpose of the Stabilization Agreement was to stabilize the price of the Huuuge Inc. shares at a level higher than the level which would otherwise have prevailed.

In accordance with the Stabilization Agreement, the Stabilization Manager withhold a portion of the proceeds from the Huuuge, Inc. IPO., i.e. PLN 166,583 thousand (calculated as 3,331,668 shares x PLN 50/ per share). At the same time, based on the Stabilisation Agreement the Company was obliged to buy from the Stabilization Manager the shares purchased by the Stabilization Manager as a result of the conducting the Stabilization transactions. In addition, the parties agreed on split of the profit in respect of the Stabilization transactions (resulted from the difference between the offer price per share and the price actually paid by the Stabilization Manager for each share, after deducting the transaction costs).

For the purpose of accounting for the stabilisation transaction, the Company treated the entire stabilisation agreement as a financing transaction, i.e. repurchase of own shares from the market in the scope of IAS 32 and IFRS 9. Accordingly, at inception of the stabilisation transactions, the Company recorded a prepayment to reflect the fact that the stabilisation activities were funded from the proceeds from the offering. The prepayment represented a financial asset in the scope of IFRS 9 because it could be settled either in cash or in a variable number of own shares, at discretion of the Stabilisation Manager. At the same time, when the Company entered the contract, the liability was recognised in correspondence with equity resulted from the obligation to repurchase own shares (the put option) at the amount that is the present value of the redemption amount.

The liability and the assets were measured at fair value through profit or loss until the stabilisation transactions were completed. As such, these transactions had no net impact on profit or loss.

On February 26, 2021 the Company ended the stabilization process, and the above-mentioned liability and asset have been derecognized. The Company repurchased via Stabilization Manager its own shares in the total number of 3,331,668 in the price range PLN 38.4000 – 49.9850 (USD 10.35 – USD 13.51).

The remuneration of the Stabilization Manager was treated as a share-based payment in accordance with IFRS 2 because the amount of the remuneration was based on the value of the shares. Nevertheless, the remuneration incurred was directly attributable and incremental to repurchase of own shares (a capital transaction); therefore, it was recorded directly in equity.

As a result of the Stabilization Agreement, the repurchased shares were recognized as a decrease in equity (treasury shares) in the total amount of USD 43,976 thousand, calculated as the number of shares repurchased, multiplied by the price per share plus the remuneration paid to Stabilization Manager representing transaction cost of this capital transaction. The transaction did not have impact on profit and loss.

- **The issuance of common shares for options exercised**

In the year ended December 31, 2021, before share split 6,411 share options (equivalent of 32,055 options after share split) held by the employees under the share-based payment program were exercised, resulting in the issuance of common shares with the difference between the exercise price paid by the employee and the nominal amount of shares recognized as share premium (presented within "Supplementary capital") of USD 3 thousand (USD 202 thousand in the year ended December 31, 2020). The exercise price was paid by the employees in cash.

- **Delivery of the treasury shares for options exercised**

In the year ended December 31, 2021, after share split 1,851,622 share options held by the employees under the share-based payment program were exercised, out of which for 1,775,320 options exercised treasury shares were delivered to employees before December 31, 2021 (the difference is due to cashless exercises). The delivery of treasury shares was presented as a movement from treasury shares to common shares. The movement resulted in an increase in share capital in the amount of nominal value of the shares delivered, and difference between the value of treasury shares and the cash consideration received in the amount of USD 22,672 thousand was recognized in supplementary capital. At the same time, the movement decreased the number of shares (not issued) allocated for the existing share-based payment programs.

Holders of the 2 preference shares series A and series B, which may be converted for a fixed number of common shares, have several rights additional to the ones of the common shareholders which may vary for series A and B). These rights are stipulated in the corporate documents of HUUUGE Inc., in particular in the Fifth Amended and Restated Certificate of Incorporation. Essentially, the rights refer to:

- protective provisions in case of liquidation, dissolution, winding up, certain mergers, consolidations and sale of assets of HUUUGE Inc. or conversion to common shares – the holders of series A or B preference shares shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders before the holders of common shares,
- election of a director for every separate class of preference shares 1 per each series of preference shares (series A, B); 2 by the holders of common shares.

As at December 31, 2021 and December 31, 2020 no shareholder owned over 50% of Company's equity or had more than 50% of voting rights. Company's major shareholder is Mr Anton Gauffin, CEO and the Founder, who participates in the Company's ordinary shares indirectly (through shares of Big Bets OU).

The supplementary capital derives mainly from the share premium gained on issuance of shares, or re-issue of treasury shares.

19. Share-based payment arrangements

As at December 31, 2021 and as at December 31, 2020 the Company had an equity incentive plan, i.e. ESOP. The first stock option program (the employee stock option plan or "ESOP 2015") was established by the Company's Board of Directors on April 3, 2015, the second one on October 19, 2019 ("ESOP 2019"), the grant dates were determined at the dates when the contracts with eligible employees were signed. Additionally, during the period ended December 31, 2021 stock option plan was granted to Mr. Anton Gauffin as described below in this note. The program entitles employees and some consultants to purchase shares in the Company. Each option stands for one common or treasury share of the Company.

The vesting condition of both ESOP 2015 and 2019 programs is to provide the service continuously for at least 4 years from the grant date and the following vesting schedule is applicable depending on the particular grant:

- about 25% of the shares options vest and become exercisable on a 12-month anniversary of the vesting commencement date and then after end of each consecutive month 1/36 of the remaining shares options vest and become exercisable; or
- the options vest and become exercisable with respect to 1/48th of the total option shares when the optionee completes each full month of continuous service after the grant date.

For such share-based payments staged vesting applies i.e. each instalment with different vesting period is treated as a separate award with a different vesting period.

As of December 31, 2020 there were 1,675,513 shares reserved for the ESOP, out of which 239,929 were not yet allocated to specific employee and 1,435,584 attributed to specific option holders. This is at the Company discretion whether the unallocated shares will be allocated within the share-based program to the employees or unused or withdraw from the program. As of December 31, 2021 there were 12,467,461 shares reserved for the ESOP that were not yet allocated to specific employees.

In 2021 the Company's Board of Directors granted 4,111,765 options to its employees and consultants (738,024 in 2020). Each option can be exercised at a weighted exercise price of USD 9.70 (not in thousand). Shares option expense for year 2021 amounts to USD 11,830 thousand (USD 3,469 thousand in 2020) and was booked against equity (employee benefit reserve) which amounted to USD 19,813 thousand as of December 31, 2021 (USD 8,052 thousand as of December 31, 2020).

Details of the grants are presented in the table below:

Grant date	Number of instruments granted	Expiry date
Granted in 2015	293,292	June 1, 2025
Granted in 2016	175,058	June 1, 2026 – December 1, 2026
Granted in 2017	386,310	February 1, 2027 – December 1, 2027
Granted in 2018	131,000	December 1, 2024
Granted in 2019	243,525	December 1, 2024 – November 6, 2025
Granted in 2020	738,024	April 1, 2027 – November 11, 2027
February 2, 2021	235,000	February 2, 2028
August 9, 2021	3,376,765	August 9, 2028
September 10, 2021	500,000	September 10, 2028
Subtotal granted in 2021	4,111,765	
Total	6,078,974	

Movements in share options since the first grant date were as follows:

	Year ended December 31, 2021	
	Number of options	Weighted average exercise price
Balance as at January 1	1,435,584	12.01
Exercised during the period	(6,411)	0.45
Forfeited during the period	(2,056)	4.15
All options before share split	1,427,117	
All options after share split	7,135,585	
Granted during the period	4,111,765	9.70
Forfeited during the period	(518,371)	7.44
Exercised during the period	(1,851,622)	1.02
Expired during the period	(38,260)	2.03
Balance as at December 31	8,839,097	5.80

	Year ended December 31, 2020	
	All options before share split	
	Number of options	Weighted average exercise price
Balance as at January 1	919,010	6.21
Granted during the period	738,024	16.75
Forfeited during the period	(25,066)	9.81
Exercised during the period	(176,009)	1.15
Expired during the period	(20,375)	5.83
Balance as at December 31	1,435,584	12.01

The weighted average exercise prices are presented in USD, not in thousand USD.

As at December 31, 2021 2,836,827 share options were exercisable, with weighted average exercise price of USD 2.89 per share.

As at December 31, 2020 565,508 share options were exercisable, with weighted average exercise price of USD 6.33 per share.

The below table presents a summary of share prices at the exercise dates:

Exercise date	Grant date	Exercise price	Fair Market Value on exercise date	Number of stock options exercised
Exercised in 2020	May 29, 2015 – November 6, 2019	\$0.0002 – \$13.500	\$15.0300 – \$18.6200	176,009
Exercised in 2021 (before share split)	May 29, 2015 – December 1, 2016	\$0.0002 – \$0.79	\$54.53	6,411
Exercised in 2021 (after share split)	May 29, 2015 – November 20, 2020	\$0.00004 – \$3.72402	\$6.2348 – \$12.0319	1,851,622

For share options outstanding at the end of the reporting periods, the range of exercise prices and weighted-average remaining contractual life was as follows:

As at December 31, 2021:

Exercise price in USD	Number of outstanding stock options	Weighted average remaining contractual life (in years)
0.00004 - 0.83	495,579	4.18
2.7 - 3.72	4,776,838	2.85
9.55 - 13.51	3,566,680	6.18
Total:	8,839,097	4.27

As at December 31, 2020:

Exercise price in USD	Number of outstanding stock options	Weighted average remaining contractual life (in years)
0.0002 – 0.79	196,744	5.27
4.15	184,160	6.91
13.5 – 18.62	1,054,680	5.86
Total:	1,435,584	5.91

The fair value of the employee share options has been measured using the Black-Scholes formula by an independent appraiser, assuming no dividends and using the valuation assumptions summarized below. The underlying price of the common stock was determined using the fair value as of the option grant dates. The exercise prices of the options were determined by the Board of Directors of the Company in the contract with the employee. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of each grant date and corresponding to expiration. In assessing the appropriate time to expiration, the appraiser examined the expiration period, the vesting period and the option grant dates.

Expected volatility was based on historic volatility of a similar industry sector. Based on the analysis and the factors specific to the Company, an equity volatility of 55.4% - 80.0% (60.0% – 80.0% for the year ended 31 December, 2020) was used in option pricing model.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plan are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Fair value at grant date	0.00002 – 8.66	0.0001 – 31.64
Share price at grant date	0.00004 – 10.91	0.0002 – 44.26
Exercise price	0.00004 – 13.5146	0.0002 – 18.62
Expected volatility (weighted average)	55.4% – 80%	60% – 80%
Expected life (weighted average)	3.00 – 7.30	3.00 – 7.30
Risk-free interest rate	0.21% – 2.80%	0.27% – 2.80%

The effect of the fair value measurement of options granted to employees of the Company is reflected in 2021 in the profit and loss in the amount of USD 565 thousand (USD 180 thousand in 2020). This expense includes USD 381 thousand of Mr Anton Gauffin ESOP that explained in detail further below.

These costs were included in the line “General and other administrative expenses” line in statement of comprehensive income. For details on the related employee benefit expenses please refer to Note 8 *Operating expenses* and to the statement of changes in shareholders’ equity.

Earn-out consideration in the amount of USD 70 thousand was recognized as a decrease in the line “Investments in subsidiaries” in the statement of financial position as at December 31, 2021 and as a decrease in the employee benefit reserve. Earn-out consideration in the amount of USD 289 thousand was recognized as an increase in the line “Investments in subsidiaries” in the statement of financial position as at December 31, 2020 and as an increase in the employee benefit reserve.

The effect of the fair value measurement of options granted to employees of the Company's subsidiaries is reflected in 2021 in the Company's assets as investment in subsidiaries in the amount of USD 11,266 thousand (USD 3,289 thousand in 2020) – for details on the increase of an investments in subsidiaries please refer to Note 12 *Investment in subsidiaries*.

During the year ended December 31, 2021, before share split, 6,411 common shares were issued (equivalent of 32,055 common shares after share split) and 1,775,320 treasury shares were delivered from the share-based payment program as described in Note 18 *Share capital*. During the year ended December 31, 2021, the Company received cash payments for the shares that were delivered to employees as of December 31, 2021.

During the year ended December 31, 2020, i.e. before share split – 176,009 common shares were issued resulting from the equity-settled stock option program.

Other than the share-based payment arrangements described above, as a result of the acquisition that took place on July 16, 2020, the Company accounts for the earn-out consideration payable in shares dependent on performance condition and the continuing employment condition as a share-based payment for the sellers of Double Star Oy. As at December 31, 2020 the total number of shares to be vested during the period of 3 years after the transaction was estimated at 46,213 shares. As at December 31, 2021 the total number of shares to be vested during the period of 3 years after the transaction is estimated at 23,046 shares as at December 31, 2021. After December 31, 2021, 23,046 treasury shares were delivered to former owners of Double Star Oy, as described in the Note 30 *Subsequent events*.

The sensitivity of the total numbers of shares to be transferred to the sellers, during the period of 3 years after the transaction, to the change of the fair value of the share price in future or estimated amount of earn-out consideration is presented below (all other inputs remain constant):

Input	Assumptions	Rational change +10%/(-10%)
Share price	The estimated future fair value of the share price (calculated based on the Sale and Purchase Agreement and referring to the USD value of HUUUGE Inc.) which will be used as a basis for calculation of the number of shares to be vested. As at December 31, 2021 share price of USD 9.52 is used as a basis for calculation of the number of shares to be vested.	+10% = (2,096) shares – decrease in number -10% = 2,562 shares – increase in number
Estimated amount of earn-out consideration	Based on the estimation as at December 31, 2021 the future earn-out consideration is estimated at USD 219 thousand.	+10% = 2,304 shares – increase in number -10% = (2,304) shares – decrease in number

In addition, on March 19, 2021 the Board of Directors adopted recommendation from the Nomination and Remuneration Committee on executive and non-executive compensation ("Proposal"). This date is the date when Mr. Gauffin started rendering the services in respect of that grant ("service commencement date"), thus relevant costs have been recognized starting from March 19, 2021.

The final executive compensation agreement between Mr. Gauffin and the Company was approved by the Board of Directors on September 9, 2021 and was executed by the parties on September 10, 2021.

In accordance with the adopted Proposal and the compensation agreement, the remuneration of Mr Anton Gauffin, holding the positions of the President, Chief Executive Officer and Secretary of the Company, will consist solely of share options. All options can be exercised at a price of PLN 50, i.e., the price of the Company's shares in the initial public offering.

The vesting conditions for the options is the following:

- 50,000 options with a vesting condition to provide the service continuously for about 4 years from service commencement date. The Company's management expects Mr Anton Gauffin to fulfil the service condition.

- 75,000 options with a vesting condition to provide the service continuously for about 4 years from service commencement date and to meet 2021 EBITDA target. The Company's management expects Mr Anton Gauffin to fulfil the service condition, and the estimated cost reflects the 2021 EBITDA target realisation.
- 375,000 options with a variable vesting period due to the market condition, i.e., condition to meet the Company's market capitalization milestones. The Company's management estimates that 6 years of continuous service will be required for options to vest.

Similar to other share-based payments in the Company, for this program staged vesting applies, i.e., each instalment has different vesting period and is treated as a separate award with a different vesting period.

20. Conversion of series C preference shares

The series C preference shares were classified as liability and presented in the separate line item in the statement of financial position within non-current liabilities as of December 31, 2020. Changes in financial liability arising from preference shares, including both changes arising from cash flows and non-cash changes, presented as a reconciliation between the opening and closing balances in the statement of financial position:

As at January 1, 2020	48,354
Repurchase of series C preference shares	(1,444)
Finance expense recognized on repurchase of series C preference shares	481
Reissue of series C preference shares	1,447
Remeasurement recognized in statement of profit or loss during the period in (finance income)/finance expense	127,768
As at December 31, 2020	176,606

Further information about the classification and the measurement of this liability is provided in Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates – preference shares* and Note 15 *Accounting classification of financial instruments and fair values*.

On January 29, 2020, RP II HGE LLC (Raine) purchased from Huuuge Inc. 73,265 series C preference shares for total amount of USD 1,447 thousand. These shares had been earlier purchased and not redeemed by Huuuge Inc. from the Korean funds in December 2019 by the same price USD 19.75.

On July 2, 2020 Huuuge Inc. entered into an agreement to repurchase shares from the Kiwoom Cultural Venture Fund 1 for the cash consideration of USD 1,444 thousand (USD 27.91 per share). Under the agreement Huuuge Inc. repurchased 51,739 series C preference shares.

As at January 1, 2021	176,606
Remeasurement recognized in statement of profit or loss during the period in (finance income)/finance expense	38,997
As at February 5, 2021 before conversion	215,603
Conversion of preference shares into common shares	(215,603)
As at December 31, 2021	-

On February 5, 2021 all preference shares series C were converted into common shares with the price per share of 13.31 USD (share price for initial public offering as PLN 50 per share). For more information, please refer to Note 18 *Share capital*. As a

result of the conversion, financial liability arising from preference shares decreased with the corresponding increase in supplementary capital as presented in the statement of changes in equity.

21. Trade and other payables

	As of December 31, 2021	As of December 31, 2020
Trade accounts payable including:	533	2,822
- trade accounts payable to third parties	5	2,820
- trade accounts payable to related parties	528	2
Accrued expenses	2,187	4,441
Accounts payable related to acquisition of subsidiary	-	558
Tax payables other than from corporate income taxes	182	28
Other accounts payable	1	1
Trade and other payables	2,903	7,850

22. Leases

In 2020 the Company have entered into office rent agreement, according to which lease payments need to be made over 3 years period. The table below presents the carrying amounts of recognized right-of-use assets and the movements over the years 2021 and 2020.

	Year ended December 31, 2021	Year ended December 31, 2020
as at January 1	211	-
Remeasurement due to indexation and other	-	-
additions (new leases)	-	230
lease modifications	-	-
Depreciation	(74)	(19)
as at December 31	137	211

The table below presents the book values of lease liabilities and movements over the year 2021 and 2020.

	Year ended December 31, 2021	Year ended December 31, 2020
as at January 1	218	-
additions (new leases)	-	230
lease modifications	-	-
Remeasurement due to indexation and other	-	-
interest expense on lease liabilities	1	1
lease payments	(75)	(13)
as at December 31	144	218
long-term	66	142
short-term	78	76

The Company classifies in statements of cash flows cash payments of the capital component of lease liabilities in 2021 amounting USD 75 thousand (USD 12 thousand in 2020) and cash payments of interest on a lease liability in 2021 amounting USD 1 thousand (USD 1 thousand in 2020) as part of financing activities (Lease repayment).

The table below presents the amounts of income, costs, gains and losses resulting from leases which are recognized in the statement of comprehensive income for year 2021 and 2020.

	Year ended December 31, 2021	Year ended December 31, 2020
Depreciation expense of right-of-use assets	74	18
Interest expense on lease liabilities	1	1
Foreign exchange differences	-	-
Total amount recognized in the statement of comprehensive income	75	19

23. Cash Flow reconciliation

Transaction costs of an issuance of equity instruments which amounted to USD 7,097 thousand as presented in the cash flows from financing activities in the statement of cash flows for the year ended December 31, 2021 comprise USD 4,857 thousand deducted from equity, and USD 2,240 thousand recognized in statements of other comprehensive income for the year ended December 31, 2020. Difference between the change of trade payables in the statement of financial position and the change of trade and other payables presented in the statement of cash flows for the year ended December 31, 2021 and 2020 is due to the deferred payment related to acquisition of subsidiary. In addition, the difference for the year ended December 31, 2020 includes the transaction costs incurred in issuance of equity instruments, but not yet paid, which amounted to USD 589 thousand and have been recognized as decrease in equity.

24. Contingencies

Tax contingent liabilities

Tax settlements are subject to review and investigation by tax authorities, which are entitled to impose severe fines, penalties and interest charges. Tax regulations in the United States have been changing recently, which may lead to lack of their clarity and integrity. Furthermore, frequent contradictions in tax interpretations, both within government bodies and between companies and government bodies create uncertainties and conflicts.

Tax authorities may examine accounting records retrospectively: for 3 years in the United States (and up to 6 years in case of substantial errors). Consequently, the Company may be subject to additional tax liabilities, which may arise as a result of tax audits. The Board of Directors of the Company believes that there was no need to record any provisions for known and quantifiable risks in this regard as in their assessment there are no such uncertain tax positions for which it would be probable that the taxation authority will not accept the tax treatment applied by the Company.

25. Pledges and collaterals

During the reporting periods and till the date of issuing these financial statements the Company did not enter in a pledge or collateral agreement on its assets.

26. Related party transactions

The table below presents transactions with related parties during the reporting and comparative periods.

related parties		Sales to a related party	Other operating income	Purchase from a related party	Interest income on loans granted
Huuuge Global Ltd	2021	32,259	-	-	-
	2020	33,303	6,500	-	69
Huuuge Digital Ltd	2021	-	-	-	40
	2020	-	-	-	43
Huuuge Games Sp. z o.o.	2021	-	-	486	-
	2020	-	-	1	-
Huuuge Tap Tap Games Ltd	2021	-	-	-	-
	2020	-	-	-	-
Huuuge Labs GmbH	2021	-	-	-	-
	2020	-	-	-	-
Coffee Break Games Ltd	2021	-	-	-	-
	2020	-	-	-	-
Coffee Break Games United Ltd	2021	-	-	396	-
	2020	-	-	-	-
Huuuge UK	2021	-	-	100	-
	2020	-	-	-	-
2021		32,259	-	982	40
2020		33,303	6,500	1	112

HUUUGE INC.

Separate financial statements as of and for the year ended December 31, 2021
(all amounts in tables presented in thousand USD, except where stated otherwise)

This version is a pdf of executed xHTML Separate financial statements as of and for the year ended December 31, 2021. In case of any discrepancies xHTML version shall prevail

The table below presents aggregated balances of transactions with related parties during the reporting and comparative periods.

related parties		Trade receivables from a related party	Trade liabilities to a related party	Loans granted to related parties
Huuuge Global Ltd	31-Dec-21	3,893	-	-
	31-Dec-20	15,071	-	-
Huuuge Digital Ltd	31-Dec-21	-	-	-
	31-Dec-20	-	-	1,487
Huuuge Games Sp. z o.o.	31-Dec-21	-	458	-
	31-Dec-20	-	-	-
Huuuge Tap Tap Games Ltd	31-Dec-21	-	1	-
	31-Dec-20	-	1	-
Huuuge Labs GmbH	31-Dec-21	-	-	-
	31-Dec-20	-	1	-
Coffee Break Games Ltd	31-Dec-21	-	-	-
	31-Dec-20	-	-	-
Huuuge UK	31-Dec-21	-	100	-
	31-Dec-20	-	-	-
Coffee Break Games United Ltd	31-Dec-21	-	(31)	-
	31-Dec-20	-	-	-
Total as of December 31, 2021		3,893	528	-
Total as of December 31, 2020		15,071	2	1,487

The Company is the ultimate parent to its Group. Information regarding main shareholders are disclosed in Note 18 *Share capital*. Transactions between related parties took place on terms equivalent to those that apply to transactions concluded on market terms. Information regarding loans granted were disclosed in Note 13 *Loans granted*.

The Company purchases certain advertisement services from third parties (mostly Facebook), which are subsequently recharged to Huuuge Global Limited. For more information please refer to Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates – Model of revenue recognition*.

The Company recognizes revenue when services are transferred to the customer, at a value that reflects the price expected by the entity, in exchange for the transfer of those goods and services.

Therefore, total gross revenue in years ended December 31, 2021 and December 31, 2020 amounted to USD 32,259 thousand and USD 33,303 thousand respectively.

Cost of re-invoiced sales and marketing services in years ended December 31, 2021 and December 31, 2020 amounted to USD 28,435 thousand and USD 30,486 thousand respectively, fully netted in the statement of comprehensive income. For more details regarding revenue generated by game design, stewardship and legal services in the total amount of USD 3,824 thousand in the year ended December 31, 2021 (USD 2,817 thousand in the year ended December 31, 2020) please refer to Note 6 *Revenue*.

The Company is also rendering legal services to Huuuge Global Limited. Due to the international scope of the Group's activities, the Group's legal department operating in the organizational structure of the Company seeks highly qualified people with high competences in this area, and the costs of legal services provided by the Company are charged to Huuuge Global Limited.

The amount of USD 6,500 thousand during 2020 results from covering costs related to court case. For more information please refer to Note 2 *Basis for preparation of the financial statements*, point (d) *Key judgements and estimates*.

In addition, related parties' transactions include transactions with the management of the Company. For more details, please refer to Note 27 *Transactions with management of the Company* to the financial statements for the period ended December 31, 2021.

27. Transactions with management of the Company

Transactions with management of the Company for the years ended December 31, 2021 and December 31, 2020 was as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Base salaries	366	55
Bonuses and compensation based on the Group's financial result for the previous year	49	43
Share-based payment	399	108
Total	814	206

28. Audit fees

	Year ended December 31, 2021	Year ended December 31, 2020
Audit of financial statements	225	184
Voluntary audit of financial statements	130	195
Remuneration for additional services	-	289
Total	385	668

For the year ended December 31, 2021 and December 31, 2020 audit of financial statements relates to the audit of separate financial statements of the Company and the audit of the Group's consolidated financial statements prepared in accordance with IFRS.

The voluntary audit of financial statements relates to the audit of the Group's consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States.

29. Employment structure

Average Company's number of employees for the years ended December 31, 2021 and December 31, 2020 was as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Board of directors and Company's key management	-	-
Administration	-	1
Games development	8	5
Total	8	6

30. Subsequent events

After December 31, 2021 and up to the date of approval of these financial statements for issue no significant events except the following have occurred.

Notification on Share Buyback Scheme ("SBB")

On February 15, 2022 the Company's Board of Directors adopted a resolution for the Company to repurchase its common shares listed for trading on the Warsaw Stock Exchange. The purpose of the SBB is to satisfy the Company's needs related to the exercise of options under its Employee Stock Option Plans in the foreseeable future. Total number of the Company's shares to be repurchased under the SBB will be up to 2,500,000 shares.

There were no shares repurchased yet as of date of approval of these financial statements for issue.

Delivery of the treasury shares to former owners of Double Star Oy

As of 31 December 2021, 23,046 shares vested under earn-out consideration payable in shares to former owners of Double Star Oy based on the Share Sale and Purchase Agreement, corrected by the First Amendment dated October 19, 2021. Consequently, on February 21, 2022, 23,046 treasury shares were delivered to former owners of Double Star Oy.

War in Ukraine

On February 24, 2022, Russian troops crossed the eastern, southern and northern borders of Ukraine, attacking Ukraine. In connection with the hostilities of Russia, the representatives of the European Union imposed sanctions on Russia. The Company had also made a decision to stop distribution of new games in Russia and Belarus. Russia and Belarus markets were responsible for less than 1% of total revenue generated by Huuuge Group in 2021 which means the currently ongoing war in Ukraine should not have a material impact on Huuuge's performance and operations. Huuuge Group has analyzed and is continuously monitoring the impact of the political and economic situation in Ukraine on its and the Group's operations and

financial results. The Company is not able to reliably determine the impact which the situation in Ukraine will have on the state of the European economy and, consequently, on the activity of the Group.

As of March 10, 2022 Google Play due to payment system disruption informed about pausing Google Play's billing system for users in Russia. This means users will not be able to purchase apps and games, make subscription payments or conduct any in-app purchases of digital goods using Google Play in Russia.

Electronically signed

Anton Gauffin

President of HUUUGE Inc., CEO

March 28, 2022